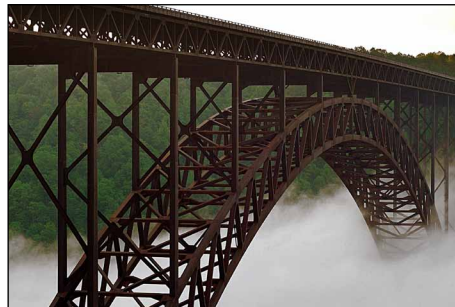


SUMMARY REPORT

66th Annual Meeting of the SOUTHERN LEGISLATIVE CONFERENCE

Charleston, West Virginia | July 28 - August 1, 2012



SOUTHERN LEGISLATIVE CONFERENCE
of
THE COUNCIL OF STATE GOVERNMENTS

AUGUST 2012



FROM THE 2011-2012 SLC CHAIR

INSIDE:

From the Chair	2
Hunger in the South	3
SLC & Committee Leadership	4
Program Highlights.....	5
Meeting Summaries	
Agriculture & Rural Development....	6
Economic Development, Transportation & Cultural Affairs....	8
Education	10
Energy & Environment	12
Fiscal Affairs & Government Operations	14
Human Services & Public Safety	15
Legislative Fiscal Plenary	16
Gulf Coast & Atlantic States Regional Task Force	18
Legislative Service Agency Directors Group	19
Technical Tours.....	20
Conference Notes.....	21
Sponsors	23
Host State Committee & Staff.....	23
SLC 2013 » Mobile, Alabama	24

SOUTHERN LEGISLATIVE CONFERENCE

OF

THE COUNCIL OF STATE GOVERNMENTS

P.O. Box 98129
Atlanta, Georgia 30359
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www.slcatlanta.org

SERVING THE SOUTH




Dear Friends,

I extend to my colleagues from across the South my heartfelt appreciation to each of you for joining us in Charleston, West Virginia, July 28 - August 1, 2012, for the 66th Annual Meeting of the Southern Legislative Conference. It was a privilege to showcase Wild and Wonderful West Virginia and to host such an important event.

In addition to the many substantive plenary and committee sessions that were so timely to policymakers, we were able, once again, to bring our community of legislators, legislative staff, guests and private sector participants together to address the issue of hunger in our region. At a time of pressing need following the wind storms, known as a "derecho," that swept through West Virginia June 29, our food packaging event, along with the presentation of financial contributions to local food banks, demonstrated our ability to work in unison to make a positive difference in the lives of our citizens - the hallmark of public service.

This year's summary will give you a glimpse into the many important issues that Conference members tackled while at the Annual Meeting and the breadth of opportunities and challenges that face all of us in the months and years ahead. I thank you again for your participation in the Southern Legislative Conference, the premier public policy forum of the South, and look forward to seeing you next year in Mobile, Alabama.

Sincerely,


Rick Thompson
Speaker of the House of Delegates
West Virginia
2011-2012 SLC Chair

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Representative Keith Ingram, Arkansas, SLC Vice Chair 2011-2012, and Speaker Rick Thompson, West Virginia, SLC Chair 2011-2012



THE SLC ANNUAL MEETING TAKES ON HUNGER IN THE SOUTH

Recently, the United States Department of Agriculture determined that 48.8 million Americans, including more than 16 million children, are classified as food insecure, meaning they are not able to acquire nutritious food regularly and often face hunger. According to Feeding America, in West Virginia alone, 271,750 residents, 14.7 percent of the state population, face food insecurity.

In response to this national crisis, which disproportionately affects Southern households, the Southern Legislative Conference (SLC) of The Council of State Governments established the "SLC/Mark Norris Campaign Against Hunger" project.

This year's community service food packaging event brought together nearly 200 annual meeting participants to assemble 20,000 meals to be distributed to families in West Virginia. The event helped restock the two largest food banks in the state after inventory dropped dangerously low following the severe storms that paralyzed the state in late June. These food banks sustained families whose food had spoiled as a result of power outages and those who had to temporarily relocate to shelters.

The "SLC/Mark Norris Campaign Against Hunger" is one of several packaging events coordinated by Outreach Inc., a nonprofit based in Iowa whose mission is to provide safe water, food, medical care and education to children and those in need at home and abroad.

In addition to the packaged meals, both the Mountaineer and Huntington Area food banks received a \$1,000.00 donation from the Southern Legislative Conference of The Council of State Governments. An additional \$1,500.00 donation was made to Outreach, Inc.



2012-2013 CONFERENCE AND COMMITTEE LEADERSHIP

CONFERENCE LEADERSHIP



Speaker Mike Hubbard
Alabama, Chair



Representative Keith Ingram
Arkansas, Chair Elect



Speaker David Ralston
Georgia, Vice Chair



Speaker Rick Thompson
West Virginia, Immediate Past Chair

COMMITTEE LEADERSHIP

AGRICULTURE & RURAL DEVELOPMENT



Senator Joey Pendleton
Kentucky, Chair



Representative Andy Anders
Louisiana, Vice Chair



Senator Bill Sample
Arkansas, Chair



Senator Jeff Mullis
Georgia, Vice Chair

ECONOMIC DEVELOPMENT, TRANSPORTATION & CULTURAL AFFAIRS

EDUCATION



Representative Sara Thomas
Mississippi, Chair



Senator John Unger II
West Virginia, Vice Chair



Representative Denny Altes
Arkansas, Chair



Representative Bill Sandifer
South Carolina, Vice Chair

ENERGY & ENVIRONMENT

FISCAL AFFAIRS & GOVERNMENT OPERATIONS



Representative Randy McDaniel
Oklahoma, Chair



Senator Roman Prezioso
West Virginia, Vice Chair



Senator Emmett Hanger, Jr.
Virginia, Chair



Representative Joni Jenkins
Kentucky, Vice Chair

HUMAN SERVICES & PUBLIC SAFETY

GULF COAST & ATLANTIC STATES REGIONAL TASK FORCE



Senator Dan Soucek
North Carolina
Presiding Officer

LEGISLATIVE SERVICE AGENCY DIRECTORS GROUP



Jerry Bassett, Director
Legislative Reference Service
Alabama
Chair

PROGRAM HIGHLIGHTS



The South and the nation are seeing signs of recovery, but the fragility of the economy and the challenges ahead require careful and deliberate attention to the policy decisions states must make. During four days in July, meeting in Charleston, West Virginia, legislators from across the South joined together with policy experts to discuss, review, and consider the opportunities that exist to bring prosperity and promise to states and communities in the region.

In addition to presentations and dialogue on substantive issues, each standing committee of the Southern Legislative Conference conducted a roundtable discussion and summary of legislative activities from the 2012 session, elected officers for the committee, and considered any policy positions that were presented for adoption by members. Presentations from committee sessions, where available, and attendance lists for committee sessions can be found on the SLC website at www.slcatlanta.org/WV2012.



AGRICULTURE & RURAL DEVELOPMENT COMMITTEE MEETING SUMMARY



Representative Terry England
Georgia, Chair 2011-2012

INVASIVE SPECIES

Invasive species are plants, animals, insects or other species that are not native to an ecosystem and whose introduction causes or is likely to cause economic or environmental harm or injure human health. Not all exotic species are invasive – about 98 percent of U.S. food production is from introduced species. It is the potential to do harm that distinguishes an invasive species from an exotic one.

With respect to invasive species, prevention is superior to eradication or controls. With plants, the characteristics which make for a desirable ornamental variety – hardiness, ease of propagation, attractiveness to birds and resistance to local pests and disease – are the same that make for a successful invasive species. Early detection and action is necessary for those species that do become introduced and, on this front, states are much more able to respond effectively and rapidly. Because exotic species typically experience a “lag” phase between their initial introduction and when they become widely established, early and comprehensive action can mean the difference between control and widespread damage.

The Center for Invasive Species and Ecosystem Health at the University of Georgia maintains a database of current and potential invasive species – nearly 2,800 across all taxa including plants, animals, aquatics, and pathogens. The Center hosts this list on a website which is part of a suite of education and outreach tools it maintains. Additionally, the Center promotes a “don’t move firewood” campaign, in part because of the risk the practice poses to forest ecosystems.

SUNDAY, JULY 29
INVASIVE SPECIES
G. Keith Douce, Ph.D., Co-Director, Center for Invasive Species & Ecosystem Health, University of Georgia
FARM BILL UPDATE
Bob Tabb, Deputy Commissioner of Agriculture, West Virginia

MONDAY, JULY 30
AG TRADE AND STATE TRADE PROMOTION
Charles Green, Director of Marketing & Development, Department of Agriculture and Consumer Services, Virginia
IMPACT OF HERBICIDE RESISTANT WEEDS
Bob Nichols, Ph.D., Senior Director, Agronomy, Weed Control, Cotton Incorporated, North Carolina

Given the huge number, extensive scope and vast damage of invasive species, it may be tempting for citizens and policymakers to view the presence of an interloping plant, animal, insect or other pest as a lost cause, but there are excellent examples of how states have taken action to control or mitigate the impact of invasive species. A major effort in Georgia to control cogon grass reduced the number of active spots in the state by 62 percent and reduced affected land in the state to less than 100 acres. Second, a recently engaged campaign in Florida is stopping the release of Nile monitor lizards and constrictor snakes into the Everglades, where the species already have decimated native animal populations.

Invasive species are an issue of importance to state policymakers because they have tremendous impact on local and state economies and finances, as well as tremendous ecological impacts. To address the invasive species issues, states should consider developing a framework that includes key representatives and give them authority, resources, and a mandate to cooperate across agencies. This likely would include developing an invasive species plan and a dedicated trust fund for research, response and education. Moreover, it is important to include biofuels and bioenergy in an invasive species plan to address the use of non-native species to support biofuels production. There are existing models for invasive species councils, with some states having code sections or cost-share programs to address these issues.

FARM BILL UPDATE

The Farm Bill, which sets farm policy at the federal level, must be reauthorized by Congress every five years. The process for reauthorization remains very fluid. The Senate passed a Farm Bill out of both the Agriculture Committee and the full Senate in June 2012, proposing to eliminate direct payments to producers and replace this safety net with subsidies for enhanced risk management tools, along with limited cuts to nutrition programs, which comprise 80 percent of all Farm Bill spending.

Attention then shifted to the House, where the House Agriculture Committee passed a bill that similarly eliminated direct payments in favor of a different approach to risk management from the Senate and made deeper cuts to the nutrition title of the bill. However, House leadership did not have sufficient votes to pass the legislation on the floor of the House and, therefore, did not bring it up for a vote.

The major conflict for agriculture between the two pieces of legislation was the bias in the Senate bill toward crops traditionally grown in the Midwest (corn and soybeans in particular) and against some crops restricted in large part to the South (peanuts and rice, as well as to a lesser degree, cotton). The House bill rectified some of this bias, but doing so resulted in the need for deeper cuts to nutrition programs.

Shortly before Congress was to recess in August, the leadership in the House first attempted to pass a one-year extension of the Farm Bill, which would have eliminated funding for a number of key programs for conservation, rural communities and beginning farmers and ranchers. However, this was not successful in the House Rules Committee, setting up a need for emergency drought relief legislation or a rushed five-year Farm Bill after Congress returns from August recess. Unless reauthorized, the Farm Bill will revert to permanent law, most of which dates back to the Great Depression and does not include nutrition programs or much else with which current farmers are familiar.

AGRICULTURAL TRADE PROMOTION: VIRGINIA'S AGGRESSIVE TRADE AGENDA

As in many states in the South, agriculture and forestry are Virginia's largest industries. The combined sectors contribute more than \$79 billion to the commonwealth's economy, creating nearly 500,000 jobs through production, value-added and supporting industries. Agriculture exports are a very important component of Virginia's success, representing nearly 30 percent of annual farm cash receipts and supporting a host of high paying jobs in support sectors.

Virginia has achieved a degree of success with agriculture exports, setting a record \$2.35 billion in overseas sales in 2011, up 2 percent over 2009, and 10 percent over 2010. Virginia's success begins with the diversity of products the commonwealth produces and its strategic mid-Atlantic location with world-class transportation infrastructure. The public sector plays a vital role in recognizing the importance of exports. Virginia's economic development and jobs creation plans fully integrate agriculture and forestry and feature high levels of collaboration and cooperation among all the players involved in marketing and delivering Virginia products overseas.

The commonwealth takes a three-pronged approach to agricultural trade, depending on the market. For mature markets, the focus often is on finding niche opportunities and providing market access. In growing markets such as China and India, Virginia aggressively promotes state products to expand access and markets. The state also maintains a focus on unconventional markets that others overlook, including Cuba and North Africa. To achieve these ends, agriculture is a part of every state trade delegation and en-

joys support from the General Assembly for targeted efforts to exploit opportunities in key markets.

IMPACT OF HERBICIDE RESISTANT WEEDS

Herbicide resistance in weeds is an inherited ability of a weed population to survive and reproduce after exposure to a herbicide application that would control an unselected population. Herbicide resistance is an economic problem that could – and likely will – get worse if nothing is done. For the most part, agricultural producers, conservationists and land managers are playing defense on herbicide resistant weeds.

Herbicides work by affecting plant biology in a handful of ways, what are known as mechanisms of action (MoAs). There are only 16 identified MoAs, with the last one developed in the 1980s. The absence of new MoAs for herbicides makes the issue of resistance even more troubling because, as herbicides become compromised, there are fewer “arrows in the quiver” for effective weed control.

Some herbicide MoAs essentially are entirely compromised in some crops, with others on the rise. Possibly the most prominent recent case has been with glyphosate – Roundup – which is now about 30 percent compromised, but has an outsized impact because of the breadth of its application and adoption. The loss of function for Roundup and other herbicides has led to weeds with dual resistance, something that, for cotton, has increased production costs by a factor of five more due to the need to perform manual weed control.

The wide use of Roundup – 120 million acres a year in the United States – and the practice of discontinuing other herbicides offered cheap weed control that, over time, forced resistance. Weed control needs to be a host of approaches to protect all modes of action. In the decade after the introduction of glyphosate-tolerant seeds in soybeans and cotton, their adoption rate has risen to nearly 90 percent, a trend that has been matched by a precipitous drop in the number of different herbicides used on those crops. There currently are nine weed species with confirmed resistance to glyphosate in the United States, with 13 additional species in other countries. Additionally, 50 weed species are resistant to more than one herbicide mode of action, more than double the number a decade previously and a more than tenfold increase from 20 years ago.

The Weed Science Society of America has assumed a national leadership position on this front, recommending steps for growers to preserve the function of herbicides, including full-label-rate applications (below-rate applications, while cheaper for the producer, serve as a forcing factor for resistance), diversification of herbicides and rotation of traits and herbicides across seasons. The Society has developed an extensive education series for producers, extensionists and others. The path forward requires continued and expanded education and training with a consistent message, along with a new emphasis on (and resources for) research, as well as the development of new weed control options. Success depends on cooperation among all parties.



ECONOMIC DEVELOPMENT, TRANSPORTATION & CULTURAL AFFAIRS COMMITTEE MEETING SUMMARY



Senator Bill Sample
Arkansas, Chair Elect 2011-2012

EVOLVING ROLE OF STATE INFRASTRUCTURE BANKS: LESSONS FROM THE STATES

At a time of increasing fiscal pressure, states are devising a range of financing mechanisms to fund essential infrastructure projects. An innovative strategy that has risen to the forefront involves state infrastructure banks (SIBs), a revolving investment fund for the purpose of offering financial assistance to road and highway construction projects. The commonwealth of Virginia has deployed funds from SIBs to initiate a number of vital transportation projects. Established by statute in 2011, the Virginia Transportation Infrastructure Bank (VTIB) is a special, non-reverting, revolving loan fund created to provide grants, loans and other financial assistance to advance transportation projects.

SUNDAY JULY 29

EVOLVING ROLE OF STATE INFRASTRUCTURE BANKS: LESSONS FROM THE STATES

David Tyeryar, Deputy Secretary of Transportation and CFO, Office of the Secretary of Transportation, Virginia

FEDERAL SURFACE TRANSPORTATION AUTHORIZATION LEGISLATION: WEST VIRGINIA'S PERSPECTIVE

Paul A. Mattox, Jr., P.E., Cabinet Secretary, Department of Transportation, West Virginia

MONDAY, JULY 30

COMPETING IN THE NATIONAL AND GLOBAL MARKETPLACE IN FISCALLY CHALLENGING TIMES: WEST VIRGINIA'S APPROACH

Keith Burdette, Cabinet Secretary, Department of Commerce, West Virginia

INFRASTRUCTURE'S IMPACT ON ECONOMIC GROWTH

Alex Herrgott, Director, Congressional and Public Affairs, U.S. Chamber of Commerce, Washington, D.C.

There are strict guidelines regarding eligible applicants, projects, and types of assistance; the application process, including minimum eligibility requirements and the application screening criteria; the disbursement process; recipient reporting requirements; and repayment requirements. A number of projects that received VTIB funding in Virginia currently are in progress, including the Route 17/Dominion Boulevard Project (city of Chesapeake); Gloucester Parkway-Pacific Boulevard Project (Loudoun County); and the 85 Connector/Route 460 Corridor Improvement Project (southeastern Virginia).

FEDERAL SURFACE TRANSPORTATION AUTHORIZATION LEGISLATION: WEST VIRGINIA'S PERSPECTIVE

One of the most critical ways the federal government influences the economic capacity and potential of states is through federal surface transportation legislation. Hence, when President Obama signed a 27-month surface transportation reauthorization bill on July 6, 2012, dubbed the Moving Ahead for Progress in the 21st Century (MAP-21) Act, which had been approved the prior week by Congress, state transportation officials, including West Virginia officials, voiced their approval and support. Not only will MAP-21 run through September 30, 2014, and involve \$105 billion in total funds, it replaces the nine-time extended SAFETEA-LU legislation, the federal surface transportation legislation that expired in September 2009. The level of certainty that arises from permanent surface transportation legislation remains a huge boost to state transportation planners as they embark on essential transportation projects across the country.

Under MAP-21, for fiscal years 2012 and 2013, West Virginia's annual federal apportionment is \$423.3 million. In fiscal year 2014, there is a slight increase in apportionment, allocating approximately \$427 million in federal highway funds to the Mountain State.



The specifics of the new MAP-21 legislation are far reaching for states and contain the potential to boost economic output significantly. Specific measures in the legislation included:

- » creating a streamlined, performance-based, and multimodal program to address the many challenges facing the U.S. transportation system;
- » consolidating highway and transit programs;
- » expanding the availability of innovative finance mechanisms and leveraging financing mechanisms by enhancing the Transportation Infrastructure Finance and Innovation Act (TIFIA) program with a 10-to-one leverage that could finance projects totaling as much as \$18 billion;
- » increasing the amount of a project's cost that can be funded with loans and guarantees a maximum of 49 percent—up from the current 33 percent;
- » requiring projects to satisfy certain creditworthiness standards in order to be eligible for assistance;
- » expanding and enhancing the ability of states to use tolling as a revenue generator to construct new capacity, reconstruct, restore or rehabilitate highways on the Interstate System;
- » establishing national goals in seven areas – safety, infrastructure condition, congestion reduction, system reliability, freight movement and economic vitality, environmental sustainability, and reduced project delivery delays;
- » modernizing the metropolitan and state-wide planning process by moving to a performance-based approach; and
- » providing further reforms to accelerate project delivery, including many reforms that state departments of transportation have long advocated.

COMPETING IN THE NATIONAL AND GLOBAL MARKETPLACE IN FISCALLY CHALLENGING TIMES

Even during the bleakest economic periods and in the midst of tremendous revenue challenges, state policymakers have no option but to continue pursuing economic development opportunities. West Virginia is a state that adopted such a strategy and has secured notable successes, including achieving the highest expansion rate in the nation (39.5 percent over the 2010 level) for state exports in 2011. West Virginia's export growth



rate was fueled mostly by coal exports while non-coal exports (plastics, machinery, optical/medical products) also turned in record performances. Beyond promoting exports, West Virginia's focus in the economic development arena revolves around expanding the well-being of the citizens of the state by providing a cooperative interagency system that stimulates diverse economic growth and increased employment opportunities for all West Virginians; encourages the appropriate use of the state's abundant natural resources; improves the safety and productivity of the state's work force; and promotes the beauty and desirability of West Virginia as a world-class tourism destination.

There are a number of promising projects on the economic landscape in West Virginia that offer optimism for the state's economic future. One of these projects involves the Shell ethane cracker plant in Monaca, Pennsylvania, about a dozen miles from the West Virginia border. This Shell plant is one of several ethane cracker plants that will be built in the Appalachian region, and each involving a minimum capital investment of of \$3.2 billion, with thousands of people hired to build the plant and hundreds more securing permanent jobs. It is projected that these plants eventually will attract other manufacturing facilities that will benefit from the close proximity to the chemicals the ethane cracker plants will produce. West Virginia will profit tremendously from the Shell plant and other ethane cracker facilities, not only as a means of providing employment to thousands, but also by enhancing the economic environment of the region through added economic activity.

INFRASTRUCTURE'S IMPACT ON ECONOMIC GROWTH

There is very little debate that the United States needs a transportation system that moves its people and delivers goods in both a timely and safe manner. However, there is less agreement on the financial investments that are critically needed across the country to achieve this essential transportation goal. In an effort to efficiently and effectively connect workers with employers, employers with suppliers, and businesses with their customers, the U.S. Chamber of Commerce is leading a nationwide effort to spur businesses, labor, transportation stakeholders and concerned citizens to advocate for improved and increased federal investment in the nation's aging and overburdened transportation system. The failing U.S. transportation system carries tremendous financial burdens with congestion costing the American economy an estimated \$115 billion in 2009 alone; resulting in roughly one-third of the nation's major roads remaining in poor or mediocre condition; U.S. transit systems earning a grade of "D" on the American Society of Civil Engineers' annual Infrastructure Report Card; and the underperforming American transportation system costing the U.S. economy nearly \$2 trillion (2008 to 2009). In order to initiate vital infrastructure upgrades so that the United States can compete effectively in the 21st century global marketplace, minimize safety concerns, enhance the nation's quality of life and mitigate adverse environmental impacts, the U.S. Chamber of Commerce urges elected officials at all levels of government to take action to repair, rebuild and revitalize the nation's roads, bridges and public transportation systems.

EDUCATION COMMITTEE MEETING SUMMARY



Representative Sara Thomas
Mississippi, Chair 2011-2012

REFORMING K-12: UPDATE ON KENTUCKY SB1

In 2009, the Kentucky General Assembly approved SB1, which mandated that the commonwealth's Council on Postsecondary Education, Board of Education and Department of Education develop a unified strategy to reduce remediation and increase college completion rates. To fulfill this, Kentucky has pursued multiple strategies at all levels, all predicated upon cooperation among higher education, K-12 education and teacher preparation.

In Kentucky, as in so many states, students show up at postsecondary institutions and discover that they require remedial courses, in part due to poor alignment between higher education and K-12. Because every student in the commonwealth is tested three times beginning in 8th grade to determine if they are on track to graduate, the state is able to determine whether students are on course to graduate ready for college or unprepared for college level work.

The high number of students graduating unprepared for college results in poor college completion rates, with prepared students enjoying a two-to-one advantage in terms of completing a postsecondary program. Because completion rates are a measure for higher education performance, the postsecondary system clearly had a vested interest in improving the readiness of those students graduating high school.

The legislation passed in 2009 called for clearer, fewer, more in-depth standards. The standards were to be aligned with postsecondary standards and internationally bench-

SUNDAY, JULY 29 REFORMING K12: UPDATE ON KENTUCKY SENATE BILL 1

Terry Holliday, Ph.D., Commissioner of Education, Kentucky

Robert L. King, President, Kentucky Council on Postsecondary Education

Alicia Sneed, J.D., Acting Executive Director, Education Professional Standards Board, Kentucky

MONDAY, JULY 30

HIGHER EDUCATION FINANCE REFORM

Russ Deaton, Ph.D., Associate Executive Director for Fiscal Policy and Administration, Tennessee Higher Education Commission

David Wright, Chief Policy Officer, Tennessee Higher Education Commission

marked. The legislation also set some very ambitious goals, including reducing college remediation (by 50 percent by 2014 from the 2010 rates) and increasing college completion rates (by 3 percent annually over the same period).

Once the law was in place, however, the question then came to be not "what" but "who" needs to be aligned. There needed to be alignment among postsecondary, K-12, teacher preparation, as well as a mechanism for input and review by the General Assembly and governor. In too many states, the discussion of alignment does not involve all the players, but relies heavily on input from K-12. Kentucky's approach pulls together standards and assessments and accountability, which are the heart of any K-12 reform effort, as well as professional development and college and career readiness.

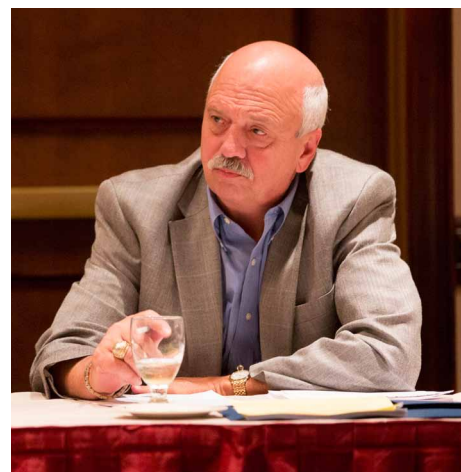
Kentucky was fortuitous in its timing, beginning the implementation in advance of the announcement of Common Core Standards. This allowed the commonwealth to have in place the resources it needed to influence the discussion of final standards, which in turn gave faculty members and higher education confidence and buy-in into the process. This buy-in also was critical to bolster efforts to inform the public about the changes that would be taking place in the coming years, since teachers and faculty were able to discuss the process of reform and the changes that would occur. It was important to have this public support because, as the system was implemented, it was anticipated that

more students would be identified as not college ready, and public understanding of the reasons for this rise would help to protect the integrity of the system.

The process resulted in a standardization of general education learning outcomes and facilitated transfer opportunities across the system. The process also helped the state reach agreement on placement and common learning outcomes expected for college readiness and led to a redesign of teacher and principal preparation incorporating more rigorous standards and continuous assessment strategies.

The critical factor in realizing the benefits of this kind of reform is buy-in, both from educators and the public, and having the staff on the ground prepared to teach the new standards. Without thoroughly prepared and engaged teachers, the standards and assessments will not result, in and of themselves, in any increase in college readiness. The mandate in the Kentucky legislation for cooperation among all levels of education, including teacher preparation, provides an opening for this, but the institutions must trust one another and perceive that the mission of education reform is a joint one.

The Education Professional Standards Board took to its task in a serious manner, restructuring requirements for admissions to teacher training programs, clinical experiences, and student teaching for all 30 of the state's preparation programs. The Board also established procedures for teacher internships



to ensure mentor teachers and principals, as well as teacher interns, gain experience with the new standards. Moreover, the commonwealth has in place plans for on-going professional development to implement core academic standards and align syllabi and assessments. The process has enjoyed unprecedented levels of engagement from higher education to achieve the goals set for K-12, both within teacher preparation and beyond. This collaboration has both strengthened the process and integrated it broadly across the entire education system in Kentucky.

HIGHER EDUCATION FINANCE REFORM

There is a compelling public interest in increasing educational attainment among a state's citizens as higher levels of attainment correlate to higher income levels, lower unemployment, and a host of other positive social and economic indices. States have attempted to encourage institutions of higher education to increase the number of graduates with degrees and certificates, but often find themselves with limited tools and leverage.

As in most states, Tennessee had, prior to the passage of the Complete College Tennessee Act (CCTA) in 2010, used an enrollment-based formula for determining higher education funding, with only a very small portion of funding determined by performance factors. Because incentive funds are "on top" of formula funds, the overall impact on the behavior and practice of colleges and universities is relatively limited.

The fiscal realities in Tennessee against which the CCTA was enacted include reduced state funds for institutional operations and increased enrollment and costs, leading to ballooning tuition. The standard model was simply not providing sustainable fund-

ing for existing goals, much less ambitious goals of expanded participation and completion. Leading up to the creation of the legislation was a series of conversations about what the desires were for higher education institutions, and how they fit into an overall public agenda.

The CCTA began from a fundamental question: How does a state make a decision on how much money an institution receives? With the CCTA, Tennessee retired its enrollment-based model and built a performance-based funding model or, more properly, an outcomes-based formula. This is not a reform of the state's existing performance-based funding which only covers 5 percent of state funding.

The legislation also provided for mission differentiation among schools to reflect the different purposes individual institutions may have; allowed articulation and transfer; and moved remediation and developmental education out of the public university system and into the community college system. The model is driven by a primary goal of meeting the U.S. average in educational attainment by 2025 (a move that requires a cumulative 26,000 additional degrees by 2015, and 210,000 additional degrees by 2025, a 4 percent increase annually).

Every dollar of funding for higher education is based on outcomes. No institution is entitled to a minimum level of appropriations based on prior year funding. Every year, the state reallocates funds based on the previous year's outcome, with the model scoring monetized through the use of a report on average pay for professors.

This model is not based on a universal, state-imposed goal for all institutions, but tries to

capture the purpose of the institution and weights outcomes based on the mission of the school—a school that is principally geared toward research gets support based in part on research, a bachelor's degree institution gets weighted on their 4-year degrees. Weighting factors in the formula for each campus are determined by outcomes—graduation rates, research completed, transfers effected—and reflect institutional mission differentiation while providing base funding for each school. Each institution also must select from among 15 sub-populations to show they are making progress with populations or in areas that have been traditionally underserved, placing student access at a principal place in the funding model. The formula recognizes two populations—low-income and adult-returning students—for special attention, weighting them 1.4 times a student in the general population, in order to establish an incentive for institutions to serve these underrepresented groups.

The outcomes model is used for all funding for higher education and all money is up for reallocation every year. The model works regardless of whether state allocations are increasing, decreasing or remaining flat. To avoid productivity changes from radically affecting state appropriations to a given institution, the model does not overreact to immediate changes even as it reflects productivity gains or declines. Essentially, the model allows for enough volatility to get institutions' attention without undermining their success.

One of the long-term benefits is that this program links higher education to state government expectations. This allows the state to shift the demands it makes on higher education over time without entirely redesigning the higher education system.

ENERGY & ENVIRONMENT COMMITTEE MEETING SUMMARY



Representative Chuck Martin
Georgia, Chair 2011-2012

ENERGY SECURITY AND ECONOMIC DEVELOPMENT: THE FUTURE OF INFRASTRUCTURE

Currently, the United States has more than 2 million miles of pipeline – the primary mode of transportation for crude oil, petroleum and natural gas. Approximately 71 percent of crude oil and petroleum products, and almost all natural gas fuels, are shipped by pipeline across the continent. Pipelines possess a substantial cost advantage over other means of transportation and, according to the U.S. Department of Transportation (USDOT), are more reliable and safer than both road and rail. According to the USDOT, rail has the highest rate of incidents at 651 per billion ton-miles per year, followed by road, with 20 incidents per billion ton-miles every year. Oil products transported by pipeline are the safest, with just 0.61 serious incidents every billion ton-miles.

Pipeline safety is crucial, especially as North America continues to increase its production of oil and gas. It is important to the economy, since jobs rely on production which in turn relies on a network for getting fuel from one place to another. Since the recession, the oil and gas industry has been the only sector of the economy that has seen steady job growth, adding 86,000 new jobs, while the economy as a whole lost 5 million. Additionally, the United States produced 15.4 billion barrels of oil and gas in 2011, and the U.S. House of Representatives recently passed legislation to expand drilling off the coasts of California and Virginia, promising further production. Some estimates predict, given the passage of certain policies, that oil and gas output in the United States could nearly double to 27 billion barrels a day by 2020, which

SUNDAY, JULY 29
ENERGY SECURITY AND ECONOMIC DEVELOPMENT: THE FUTURE OF INFRASTRUCTURE
Tristan Sanregret, Director of Alberta-U.S. Relations, Canadian Embassy, Washington, D.C.
Jim Dunlap, President, Jim Dunlap Consultants, Oklahoma
ADVANCEMENTS IN RENEWABLE FUELS TECHNOLOGY
Randy Wolf, Director of Business Development, Balcones Resources, Arkansas

MONDAY, JULY 30
FOSSIL FUELS AND THE ROLE OF EMERGING TECHNOLOGIES
Richard A. Bajura, Ph.D., Director, National Research Center for Coal and Energy, West Virginia
PRESENTATION OF THE SOUTHERN STATES ENERGY BOARD'S 2012 LEGISLATIVE DIGEST
Representative Weldon Watson, Oklahoma

would create 3.6 million new jobs – enough to lower the national unemployment rate by 1 percent by 2020.

The single largest source of oil in North America is the Canadian oil sands, which are a naturally occurring mixture of sand, clay, water and bitumen – a very heavy oil – and most of this fuel is transported by pipeline. Bitumen extracted from mining and *in situ* operations, mainly in northern Alberta, is separated from the sand, upgraded to refinery-ready crude oil, and transported throughout the United States using the same pipelines transporting other types of oil.

Canada possesses the third largest reserves of oil in the world at 174 billion barrels, second only to Saudi Arabia and Venezuela. Alberta alone possesses 169 billion barrels. These vast reserves make reliable transportation to refineries on the Gulf Coast and throughout the South more important than ever. Significant growth in Canadian oil sands exports to the United States will reduce dependency on oil imports from more volatile countries. In addition to energy reliability and security, the economic benefits of increased refinery capacity would be substantial for Southern states. With \$194 billion in forecasted capital spending on oil sands development in the next 10 years, a significant amount will be spent on purchasing materials, equipment, parts and services from suppliers in the United States. Oil sands development will, on average, contribute between \$8.4 billion and

\$15.9 billion per year to the U.S. economy and will support an average 93,000 to 175,000 U.S. jobs per year between 2010 and 2035. The total GDP gain for the United States could reach upwards of \$6 billion per year. In SLC states, oil sands development could yield more than \$4.5 million in GDP, with almost \$1.5 million in Texas alone.

The impact of the Keystone XL pipeline could bring direct capital investment of \$845 million to Oklahoma alone, with total capital expenditures reaching \$1.2 billion for the project. The pipeline could result in 1,200 direct jobs during construction, as well as 14,400 person-years of employment, if indirect jobs during construction are included. The project also has brought significant capital investment to various portions of the state, like Cushing. In January 2012, the U.S. Department of State (USDOS) recommended a rejection of a presidential permit for Keystone XL, which President Obama accepted. In May 2012, TransCanada submitted another presidential permit application to the USDOS for the Keystone XL pipeline, supplemented with an alternative route. The USDOS has announced that it will make a final decision on this application by the first quarter of 2013.

ADVANCEMENTS IN RENEWABLE FUELS TECHNOLOGY

According to the Bureau of Labor Statistics, approximately 3.1 million people in the United States worked in “green jobs” in 2011,

including 2.3 million in the private sector. Those numbers will continue to grow as innovations in renewable fuel technologies continue to promote opportunities to develop cleaner and more sustainable energy production. A number of companies have been exploring the usefulness of nontraditional waste streams for producing high-bitumen-content fuels. The process is an integral part of the U.S. Environmental Protection Agency's desire to limit landfill disposal of waste.

There is a hierarchy of desirable waste-for-fuel conversion, based on energy output and ease of conversion, which is affected by moisture, ash, British thermal unit (BTU) value, contamination, location, disposal options and cost. The most challenging to convert is municipal solid waste (MSW) and hazardous waste. Next is agricultural waste, sludge and bio-solids. The second best waste for fuel conversion is post-residential municipal recovery facility residue, and the optimal waste for producing fuel is post-industrial waste and tire-derived fuels. Balcones Resources, for instance, handles all of the post-industrial waste from four production facilities that process goods like diapers, baby-wipes and feminine care product to produce fuel cubes, which are identical to a wood chip in size and configuration, but with a BTU value 2.5 times greater than that of wood.

Independent analysis by the University of Texas indicates that waste-to-fuel is more energy dense than most forms of coal and petroleum coke. If 100 percent of landfill municipal solid waste was recovered for energy, it could power 16.4 million homes every year, or 5 percent of the total U.S. consumption. There are opportunities to co-fire with coal in power boilers and kilns, as well as the potential for gasification technology and pyrolysis (i.e., plastics to oil). States can promote such technology by broadening the definitions of "renewable" and "clean" to include all MSW and emerging conservation technologies in order to support development and use of all renewable options. Also, states can simplify the permitting process (e.g., defining high energy MSW as a "fuel," not a "waste"), which can encourage innovation. Finally, states can include energy recovery in future state energy plans.

FOSSIL FUELS AND THE ROLE OF EMERGING TECHNOLOGIES

Energy is an economic engine. Economies that are sound are better able to protect the



environment. Understanding this, securing abundant energy, protecting the environment and maintaining a vibrant economy are not mutually exclusive goals. The United States holds the world's largest estimated recoverable reserves of coal and is a net exporter of the resource. In 2011, the United States produced more than 1 billion short tons of coal, according to the U.S. Energy Information Administration, more than 90 percent of which was used by U.S. power plants to generate electricity. However, new and innovative technologies are needed to achieve coal plant environmental targets that are cost competitive with alternative options with comparable environmental performance. In applying new technology to existing power plants, the goal is to improve environmental performance while maintaining a competitive cost of electricity.

There are a variety of areas where environmental improvements can be made to power plants, including air emissions (sulfur dioxide, nitrogen oxides, particulate matter and mercury); carbon dioxide (CO₂) management; byproduct utilization; water use and discharge; plant efficiency; reliability and availability; and capital and product cost (power and fuels production). Integrating the best available plant technology capabilities can lead to substantial environmental improvements. For instance, by 2020, power plants can reach performance standards of greater than 99 percent for sulfur dioxide; 95 percent for mercury recovery; nearly 100 percent for byproduct utilization; 50 to 60 percent for plant efficiency; greater than 90 percent for availability; \$800 to \$900 per kilowatt in plant capital costs; and approxi-

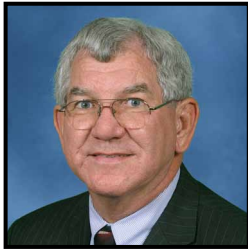
mately \$0.03 per kilowatt hour for the cost of electricity. It also is important to continue work in areas like water quality and consumption. Reduction of freshwater usage is a major performance goal, including a near-zero cooling water-use plant option by 2020.

A realistic goal for CO₂ management is a 10 percent increase in the cost of electricity for a more than 90 percent removal of CO₂, including sequestration. Also, a near-zero emission power and multi-product plants capable of CO₂ capture and sequestration are realistic roadmap goals. Furthermore, advanced combustion and advanced gasifier systems are being developed, which can help lower cost, increase efficiency and produce higher availability. These developments can reduce dependence on imported oil, help maintain diversity of energy resource options, retain domestic manufacturing capabilities, as well as result in higher standards of living and increased social and economic stability.

PRESENTATION OF THE SOUTHERN STATES ENERGY BOARD'S 2012 LEGISLATIVE DIGEST

The Legislative Digest is a compilation of energy and environmental legislation enacted by Southern states, published by the Southern States Energy Board (SSEB) for more than four decades. The 2012 SSEB Legislative Digest is available online at www.sseb.org/reference.php.

FISCAL AFFAIRS & GOVERNMENT OPERATIONS COMMITTEE MEETING SUMMARY



Representative James R. "Jim" Fannin
Louisiana, Chair 2011-2012

LEVELING THE PLAYING FIELD: ONLINE VERSUS MAIN STREET PURCHASES

As a result of two U.S. Supreme Court rulings, states currently are not allowed to compel out-of-state retailers to collect sales taxes on goods purchased through catalogues or over the Internet. Not only does this place an undue business disadvantage on brick-and-mortar retailers, but a study by the University of Tennessee estimated that states will be unable to collect as much as \$23 billion in owed sales taxes in fiscal year 2012. This number is expected to soar given that e-commerce sales have been burgeoning at an exponential pace every year.

In an effort to circumvent the U.S. Supreme Court rulings, states have pursued a series of options including becoming members of the Streamlined Sales Tax and Use Agreement; passing affiliate nexus or "Amazon Laws;" enacting notice laws that require the remote vendor to provide information about the use tax to buyers; and urging Congress to pass legislation that would give states remote collection authority. Of all these efforts, the one that will provide the most comprehensive solution involves action at the federal level, i.e., action by Congress, authorizing states to collect the full amount of the sales taxes owed to them.

In recent months, there has been genuine bipartisan movement in Congress with The Marketplace Equity Act (HR 3179) in the House and The Marketplace Fairness Act (S 1832) in the Senate. The world's largest on-

MONDAY, JULY 30
LEVELING THE PLAYING FIELD: ONLINE VERSUS MAIN STREET PURCHASES
Delegate John Doyle, West Virginia
BOLSTERING THE FINANCIAL POSITION OF STATE UNEMPLOYMENT INSURANCE FUNDS: RECENT TRENDS FROM VIRGINIA
Clyde Cristman, Legislative Fiscal Analyst, Senate Finance Committee, Virginia

line retailer, Amazon, also has come on board to support a federal solution to the piecemeal effort currently in play in many states across the country. For the first time since the legislation was reintroduced in Congress, there is real optimism that there will be federal action authorizing states to collect the full amount of sales taxes – with certain exceptions – owed on e-Commerce transactions.

BOLSTERING THE FINANCIAL POSITION OF STATE UNEMPLOYMENT INSURANCE FUNDS: RECENT TRENDS FROM VIRGINIA

In the aftermath of the Great Recession and the record number of unemployed Americans, state unemployment insurance (UI) funds have come under an incredible degree of fiscal pressure. In an effort to bolster their often insolvent state trust funds, states have enacted a range of policies to amend their UI programs. In the final quarter of 2011, states also had to contend with their first federal interest payments on historic levels of UI trust fund loans—borrowing that was necessary in order to cover benefit payments during the worst recession that state programs have ever faced.

Virginia is one of nine SLC states that devised specific measures to deal with the challenge of faltering UI funds. By July 2012, Virginia had borrowed \$818 million while projected additional outlays will take this figure to over \$1 billion by April 2013. While the Great Recession's impact on the solvency of Virginia's UI trust fund remains indisputable, several prior actions (slashing the tax rate on employers and enacting benefit increases) contributed to the challenges faced by the state's UI fund.

In response, a number of remedial measures have been introduced in Virginia, including an additional "fund builder" tax of \$16 per employee, which is triggered whenever the solvency of the UI fund falls below 50 percent. In addition, a "pool tax," i.e., one that is dispersed among all employers, is imposed to address the unfunded liability of the UI fund. Furthermore, legislation introduced in 2011 required that all legislation enhancing unemployment compensation benefits must contain a statement reflecting the projected impact on the solvency of the trust fund and the average increase in state unemployment tax liability of employers resulting from any increased benefits.

Even though the state's UI fund still is not fully funded, the corrective actions introduced in Virginia, along with the improving economy in the state, i.e., a declining number of individuals filing unemployment insurance claims, has resulted in the state's UI fund moving toward solvency.



HUMAN SERVICES & PUBLIC SAFETY COMMITTEE MEETING SUMMARY



Representative Sharon Cooper
Georgia, Chair 2011-2012

JUSTICE REINVESTMENT: STRATEGIES FOR CURBING RECIDIVISM AND REDUCING CORRECTIONS COSTS

The Justice Reinvestment initiative is a project of The Council of State Governments Justice Center focusing on a data-driven approach to reducing corrections spending and reinvesting the savings into strategies that can decrease crime and improve public safety. The initiative is bipartisan, inter-branch and inter-disciplinary in structure, and implements three phases. The first step is to analyze data pertaining to crime, court, corrections and supervision trends; solicit input from stakeholders; develop policy options; and estimate corresponding cost savings. The second step involves deploying targeted reinvestment strategies and reviewing the progress of implementation. The final step is tracking the impact of enacted policies and programs, as well as monitoring recidivism rates and other trends. Justice reinvestment programs have been successful in a number of states throughout the nation and the region, including North Carolina, Oklahoma and Texas, and is in the initial phases of implementation in West Virginia.

Through justice reinvestment, North Carolina laid out the objectives of strengthening probation supervision, holding offenders accountable in meaningful ways, and reducing the risk of reoffending. The two-year savings for 2011 and 2012 are approximately \$79 million, with \$8 million targeted toward reinvestment. The projected six-year savings is \$293 million, with an almost 5,000-person decline in the prison population (from the projected 43,220 to 38,264) by 2017. An important part of the justice reinvestment initiative in North Carolina has been ensuring that field personnel, such as sheriffs,

MONDAY, JULY 30
JUSTICE REINVESTMENT: STRATEGIES FOR CURBING RECIDIVISM AND REDUCING CORRECTIONS COSTS
Speaker Kris Steele, Oklahoma
David Guice, Director, Division of Community Corrections, North Carolina
Megan Grasso, Policy Analyst, Justice Center, The Council of State Governments
SPECIAL REPORT: HEALTH INDUSTRY PERSPECTIVE ON THE PATIENT PROTECTION AND AFFORDABLE CARE ACT
Paul Skowronek, Vice President, State Affairs, America's Health Insurance Plans

probation and parole officers, behavior and treatment providers, and victims and victim advocates, all were involved in the planning and implementation processes.

At the time Oklahoma began its justice reinvestment program, the state led the nation in incarcerated females per capita and was third in incarcerated males, which placed their prisons at 98 percent capacity. The state's corrections budget had increased 30 percent during the last decade. The Oklahoma justice reinvestment initiative established several key public safety provisions, including a grant program to combat violent crime; pre-sentence risk and need screening; mandated supervision for all offenders following release from prison; and swift and certain sanctions for probation and parole violators. The

state focused heavily on those probationers, prisoners and parolees who required mental health and/or substance abuse treatment to determine proper programming. For non-violent parole violators, for instance, alternatives to returning to prison were introduced. Before the implementation of justice reinvestment initiatives, 51 percent of felons were being released from Oklahoma prisons with no supervision. The reforms require nine months of supervision for all parolees.

The most recently launched West Virginia justice reinvestment initiative is targeting prison overcrowding, largely related to non-violent crime and repeat offenders; strengthening community supervision programs; and interventions for parolees who are most likely to reoffend.

HEALTH INDUSTRY PERSPECTIVE ON THE PATIENT PROTECTION AND AFFORD- ABLE CARE ACT

The Supreme Court decision on the Patient Protection and Affordable Care Act provided various legal clarities on many issues confronting states. First, states must submit plans on health insurance exchange operations by November 16, 2012. Second, states must select an essential health benefit benchmark plan by the third quarter of 2012. Finally, states must decide in the next year whether or not to expand their Medicaid programs to 133 percent of the federal poverty level.

There are several things for states to consider regarding exchange development. States must decide before the November 16 deadline whether or not to select a benchmark plan. A second consideration is whether or not premium subsidies will be available for states that do not establish exchanges. Finally,

states must speculate as to how much control, if any, they will have in federal-facilitated exchanges.

Similarly, states face various considerations concerning essential health benefits and the Medicaid expansion, not the least of which is affordability. Some health groups believe that, even with cost sharing and federal subsidies, premiums will continue to rise, driven by taxes on premiums, age rating, essential benefits, general rising healthcare costs, and the universal coverage requirement. Some independent studies show increases in non-subsidized premiums due to the essential health benefits requirement of the Act. However, states can promote more affordable coverage by leveraging the personal coverage requirement and implementing policies that structure open enrollment, inside and outside the exchange; install waiting periods and late enrollment surcharges; and focus on existing state high-risk pools.

LEGISLATIVE FISCAL PLENARY

JOINTLY SPONSORED BY THE FISCAL AFFAIRS & GOVERNMENT OPERATIONS COMMITTEE AND
HUMAN SERVICES & PUBLIC SAFETY COMMITTEE

SUNDAY, JULY 29

ENHANCING THE FUNDING POSITION OF STATE MEDICAID PROGRAMS: LESSONS FROM VIRGINIA

Bill Hazel, M.D., Secretary of Health and Human Resources, Virginia

TO EXPAND OR NOT TO EXPAND: STATE MEDICAID PROGRAMS AND THE PATIENT PROTECTION AND AFFORDABLE CARE ACT

Chris Whatley, Director, The Council of State Governments, Washington, D.C. Office

ENHANCING THE FUNDING POSITION OF STATE MEDICAID PROGRAMS: LESSONS FROM VIRGINIA

In recent years, the scope of Medicaid has exploded, attributable to expansion of eligibility guidelines, growth of the eligible population, increased utilization, and expansion of services. With this expansion comes an increase in cost. Nationally, over \$366 billion in federal and state money is spent providing services to approximately 59.5 million recipients. Virginia alone has more than 800,000 recipients (over 900,000 including the Children's Health Insurance Program), at a cost of \$6.7 billion a year, with enrollment expected to increase between 30 percent and 50 percent under the Patient Protection and Affordable Care Act. The Virginia Department of Medical Assistance Services (DMAS) processes upwards of 33 million claims for medical services in any given year.

Virginia has made concerted reform efforts to improve Medicaid program integrity through fraud reduction and cost contain-

ment measures, which could top \$100 million in savings per year by 2014. For instance, DMAS conducts extensive pre-payment reviews and post-payment audits. These reviews have resulted in a Centers for Medicare and Medicaid Services Payment Error Rate Measurement calculation of 0.7 percent, one of the lowest in the nation. Also, post-payment identification of improper payment captures about 99 percent of what is missed on pre-payment review, resulting in more than \$40 million in recovered overpayments during the last two fiscal years. In addition, DMAS has achieved a 97 percent success rate for audit finding on appeal. Virginia also has established a Medicaid Fraud Control Unit (MFCU), which evaluated 58 cases referred from DMAS and yielded \$25 million in recoveries in 2009 and 2010. The MFCU continues to expand its resources, which should further enhance fraud detection efforts.

Regarding cost containment, in March 2012, the state launched the Virginia Center for Health Innovation (VCHI), which works to

secure federal and private grants aimed at improving quality of healthcare and lowering costs. The Center researches and disseminates information about innovative, value-driven models of wellness and healthcare to stakeholders in state government, business and the medical community. In addition to research and education through demonstration projects, VCHI is working to establish the Virginia Health Innovation Network, a subscriber-based portal that will provide innovative ideas, evaluations and recommendations to purchasers, insurers, healthcare providers, health plans, suppliers, consumer groups, public health officials, foundations, and other health data and research organizations.

Although they have experienced success through these reforms, Virginia is working to improve their integrity efforts. In particular, DMAS is focusing on improving the effectiveness and collaboration of program integrity efforts under their Medicaid managed care program and attempting to beef up efforts to enhance data mining and further identify potential target areas for auditing.

TO EXPAND OR NOT TO EXPAND: STATE MEDICAID PROGRAMS AND THE AFFORDABLE CARE ACT

On June 28, the Supreme Court of the United States ruled on four key elements of the Patient Protection and Affordable Care Act (PPACA). Following more than six hours of oral arguments in March, the Supreme Court concluded (9-0) that the Anti-Injunction Act, which prevents a suit challenging a tax from being heard before the tax is collected, does not keep the Court from considering the case, since the payments required to be made by individuals who do not purchase insurance are a "penalty," not a tax. The Court also ruled (5-4) that the individual mandate is not constitutional under the Commerce Clause,



since the federal government cannot compel anyone to enter into commerce. On the question of whether or not a penalty levied against someone who does not get insurance is constitutional under the Taxing Power, the Court found (5-4), in the affirmative, that although such a “penalty” was not a tax for anti-injunction purposes, it operates like a tax (e.g., the Internal Revenue Service collects it), and therefore is constitutional. The rulings on these first three elements of the law essentially affirmed the individual mandate and most other aspects of the PPACA.

The final element on which the Court ruled involved the requirement in the PPACA that states expand Medicaid eligibility to 133 percent of the federal poverty level or lose all federal Medicaid funding. The Court held (5-4) that this requirement was unconstitutional, classifying it as “coercive.” In short, states may choose to expand or keep current eligibility requirements. This decision ultimately will be left up to state legislatures, with substantial risks associated with the decision, perhaps the most important of these is cost. Although the federal government will cover 100 percent of the expansion for the first three years, that share incrementally drops to 90 percent in 2020, leaving states to pick up 10 percent of expansion costs going forward. In addition, with the individual mandate, Medicaid rolls will increase and states are concerned that, even though they will have to cover 10 percent of the expansion beginning in 2020, that is 10 percent of a very large number. Although initial Congressional Budget Office estimates put the cost of expansion for states at \$20 billion over 10 years, other estimates are closer to \$30 billion. On the other hand, the risk of rejecting the option to expand forces states to cover the non-expansion costs associated with other requirements of the PPACA. In the months to come, states will see rulemaking by the Department of Health and Human Services and most likely will see grants and waivers established as a mechanism for incentivizing states to choose expansion.

The second major decision that will face state lawmakers is whether or not to participate in the health insurance exchanges, a marketplace where individuals and small businesses may purchase insurance. So far, most states have forgone implementation, but the Court’s decision changes the stakes of the debate. First, there are political repercussions for moving forward with an exchange, particularly in states where the majority of the



population is opposed to healthcare reform. Second, if a state does not begin implementation, then the federal government will operate the exchange, meaning that the operation of the exchange will benefit the federal bottom line. The most likely result is an exchange that pools individuals with small businesses, which will reduce federal spending on subsidies but make insurance more costly for small businesses, analyses have shown. The third option for states is to wait to decide. The downside is that states would be required to pay for implementation and operation.

GULF COAST & ATLANTIC STATES REGIONAL TASK FORCE MEETING SUMMARY



Senator Dan Soucek
North Carolina, Presiding Officer

MODERN ADVANCEMENTS IN HOMELAND SECURITY AND EMERGENCY MANAGEMENT

In the wake of recent crises and disasters, several innovative programs and tools have been developed to help enhance traditional homeland security and emergency management policies and structures. From grant funding to new Department of Homeland Security (DHS) programs to technological improvements, efforts are being made to improve disaster prevention, preparedness, response and recovery.

In the last decade, DHS awarded state, local, tribal and territorial entities over \$35 billion in funding. For FY 2013, DHS will focus on funding to identify gaps and prioritize capabilities through mutual aid agreements like the Emergency Management Assistance Compact (EMAC). The Compact, initially developed as a Southern regional compact following Hurricane Andrew in 1992, provides a system whereby states can access disaster assistance across state lines.



SUNDAY, JULY 29

MODERN ADVANCEMENTS IN HOMELAND SECURITY AND EMERGENCY MANAGEMENT

*Stephanie L. Tennyson, Deputy Assistant Secretary, Intergovernmental Affairs,
Department of Homeland Security, Washington, D.C.*

Based on feedback from grantees, the Federal Emergency Management Agency (FEMA) implemented steps to increase flexibility and hasten the disbursement of more than \$8 billion in previous awards to address evolving hazards. The majority of FY 2012 funding supported existing preparedness efforts and capabilities. Funding of new initiatives is dependent on the proposed project's ability to be deployed regionally and nationally.

The risk formula devised to determine grants for FY 2012 considered threats from domestic and international terrorist groups. DHS places special emphasis on law enforcement terrorist prevention, preparedness and response at the state, local and tribal level. An example of a DHS-supported initiative is the "If You See Something, Say Something" campaign, which was created and trademarked by the New York's Metropolitan Transportation Authority to support anti-terrorism activities and combat terrorism-related crime. It has since been licensed to DHS to raise public awareness of indicators of terrorism and terrorism-related crime and to emphasize the importance of reporting suspicious activity to the proper local law enforcement authorities.

This year, DHS Secretary Janet Napolitano and FEMA Administrator Craig Fugate, with the support of the Corporation for National and Community Service, announced the creation of FEMA Corps. The Corps is a 1,600-person unit created solely to address emergency management by supporting disaster recovery centers with logistics, community relations and outreach personnel. The Corps consists of recent high school and college graduates highly trained in all aspects of disaster response. Ultimately, the Corps thrives because of the dedication displayed by these young adults. In return, Corps members receive useful training regardless of their career path.

Recently, FEMA implemented a new approach to community relations called AIR, "Assess, Inform and Report." The mission of AIR is to recruit community support, including faith-based and volunteer groups/agencies, to communicate pertinent information regarding available emergency services.

The Department of Homeland Security also increased technological efforts to communicate more effectively with a wider group of stakeholders. Along with a new mobile website – m.fema.gov – there have been three new initiatives developed: a new application for smartphones, a text messaging program and the *FEMA Think Tank*. The smartphone application provides users with preparedness information for various disasters, interactive checklists for emergency kits and maps of disaster recovery center locations. The text messaging service sends subscribers safety tips throughout the year. Open to the public, the *FEMA Think Tank* comprises monthly conference calls and online forums whereby users can brainstorm new ideas for disaster prevention, preparedness, response and recovery efforts. Currently, there are over 450 topical forum discussions.

LEGISLATIVE SERVICE AGENCY DIRECTORS GROUP MEETING SUMMARY

SATURDAY, JULY 28

PENSION REFORMS IN SOUTHERN STATES

Anne Lambright, Counsel, Senate Pensions Committee, West Virginia Legislature

Sujit CanagaRetna, Senior Fiscal Analyst, Southern Legislative Conference

THE IMPACTS OF THE SUPREME COURT DECISION ON THE PATIENT PROTECTION AND AFFORDABLE CARE ACT

Chris Whatley, Director, The Council of State Governments, Washington, D.C. Office

The impacts of the U.S. Supreme Court Decision was presented by Mr. Whatley to a greater extent during the Legislative Fiscal Plenary Session (see page 16)

EXEMPLARY LEGISLATIVE MEMBER SERVICES

Mary Quaid, Executive Director of House Legislative Services, Louisiana

Don Hottel, Director of Research, House of Representatives, South Carolina

David Ferguson, Director, Bureau of Legislative Research, Arkansas (retired)



Jerry Bassett, Director
Legislative Reference Service
Alabama
Chair

PENSION REFORMS IN SOUTHERN STATES

A March 2012 Wilshire Consulting Report on state retirement systems indicated that the ratio of pension assets-to-liabilities, or “funding ratio,” for the 126 plans reviewed was 77 percent in 2011, falling from 100 percent in 2001. A 6 percent decrease came in fiscal year 2009 alone. A separate assessment by the Pew Center on the States in June 2012 noted that the gap between states’ assets and their obligations for public sector retirement benefits in fiscal year 2010 was \$1.38 trillion. SLC states are in varying levels of security in terms of retirement systems, with North Carolina and Tennessee having the most success at 96 percent and 90 percent funding ratios, respectively.

In July 2012, the independent State Budget Crisis Task Force reported that state and local government pensions are underfunded by approximately \$1 trillion, or 74 percent. This is of grave concern for states, especially as they face other funding difficulties. Also, states across the nation must address a declining worker-to-beneficiary ratio, as well as rising funding gaps at corporate pension plans and record deficits at the Pension Benefit Guaranty Corporation, the federal entity that insures the benefits of private pension plans. In addition, reports of low personal savings rates and minimal amounts set aside for retirement for many Americans, and the “graying” of America—an increasing number of Americans now reaching retirement age and living longer—have created concern

among states. Finally, states must contend with surging expenditures in other major categories, including healthcare, education, emergency management, corrections, unemployment insurance, transportation and infrastructure.

States have attempted to bolster their pension systems in a variety of ways, including issuing pension obligation bonds; increasing employee contributions; revising automatic cost-of-living adjustment increases; increasing the age and vesting levels; and lengthening the period that determines final average salary for pension benefits. Also, states have experimented with prohibiting any retirement benefit enhancements until the actuarial value of the system’s assets reaches 100 percent of actuarial funding liability, and switching the most active members to hybrid plans with a lower defined benefit combined with a mandatory participation in a defined contribution plan. A number of states also have established defined contribution plans as an option for new members.

Some states have looked at providing government-run retirement plans for private sector employees, since pension plans in an increasing number of private companies are facing serious financial difficulties and an increasing number of Americans have failed to save adequately for retirement. Policymakers in over a dozen states have discussed and proposed such legislation. Another option states have examined is the develop-

ment of cash balance plans, which contain features of both a traditional defined benefit system and a 401(k)-style system. Such plans have advantages to both employees and state governments and have surfaced in Nebraska, Louisiana, Kansas, Maryland, Montana and Pennsylvania. However, critics contend that there are disadvantages particular to employees, such as the possibility of exhausting the funds in their accounts at an earlier than normal rate.

EXEMPLARY LEGISLATIVE MEMBER SERVICES

Although the individual legislative service agencies throughout the 15 SLC member states serve different functions and are organized to meet the varying needs of state lawmakers, a commonality among the agencies is the goal of providing legislators with the most current, comprehensive and effective information available. As agencies continue to adjust their services due to the growing demand of the legislatures, changing technology and limited resources, providing non-partisan and impartial intelligence remains of paramount importance. In addition to research and bill drafting, many state agencies provide services relating to committee staffing, speech writing for leadership and rank-and-file members; review of state agency rules; codification of laws; computer services; and providing advice on issues related to constitutional, statutory and practical issues concerning legislation. Sharing ideas about how to manage staff and accomplish these goals is an integral goal of the SLC Legislative Service Agency Directors Group.

COMMITTEE TECHNICAL TOURS



Agriculture & Rural Development Committee Technical Tour to Daniel Vineyards

This year's technical tours for the SLC Annual Meeting offered legislators an opportunity to grasp a specific understanding of programs unique to West Virginia. The three tours took in five destinations that demonstrate a handful of the many successes of private sector operations in the Mountain State.

DANIEL VINEYARDS

Daniel Vineyards is West Virginia's unique boutique winery. At over 2,500 feet above sea level, the vineyard is home to "cold climate cultivars," uncommon grape varieties for wine making. Since the first vines were planted in 1990, Dr. Daniel has experimented with 114 different varieties. At present, 14 varieties are producing grapes. The winery sits on the site of a former golf course just outside Beckley, West Virginia. The establishment produces wines exclusively from grapes grown on the 20 acres of vineyards. The wines consistently win awards and medals at state, national, and international wine competitions.

Of more than 21,400 farms in West Virginia in 2008, the Daniel Vineyards was judged one of the best conservation farms in the state. A deer training fence, Canadian Hemlock, and Lombardy Poplar surround each of the five vineyards. More than 225 rose bushes are planted at both ends of each grape row.

TOYOTA MANUFACTURING FACILITY IN BUFFALO, WEST VIRGINIA

The automobile manufacturing sector continues to be a major economic force across the South. The operations at the dozen or so automobile manufacturers and the thousands of auto parts suppliers in the region generate billions of dollars in direct and indirect economic activity while providing employment to tens of thousands of citizens.

Toyota remains one of the most critical automobile manufacturing operators in the United States, operating 10 plants across the nation, including manufacturing facilities in several SLC states (Kentucky, Mississippi and Texas). In Buffalo, West Virginia, Toyota established a facility that manufactures four and six cylinder engines for assembly operations in Indiana and Canada, along with producing automatic transmissions and gears for plants in Kentucky, Indiana and Canada. Established in 1996, the facility's economic impact includes a current Investment of about \$1 billion and an employment roster of nearly 1,000 workers. Since the facility's initial announcement, Toyota has carried out six expansions in the more than 15 years the facility has been in operation.

OPERATIONAL AND RECLAIMED COAL MINES

Approximately 42 percent of electricity produced in the United States comes from coal-fired generation. The West Virginia Coal Association hosted a tour that featured a visit to the Tyler Morgan and Fourmile mining operations, two sites of Pritchard Mining. Tyler Morgan is a reclaimed site where, through a partnership with the U.S. Department of Defense and the West Virginia National Guard, post-mined land is used for military and domestic emergency response exercises. The terrain at the site is similar to that found in certain parts of Afghanistan and Pakistan, and is ideal for various land training exercises. The Fourmile operation employs 75 personnel and produces approximately 600,000 tons of coal a year. The site demonstrates first-hand the integral processes involved in coal extraction in Appalachia.



Economic Development, Transportation & Cultural Affairs Committee Technical Tour to the Toyota Manufacturing Facility



Energy & Environment Technical Tour to the Tyler Morgan and Fourmile mining operations

CONFERENCE NOTES

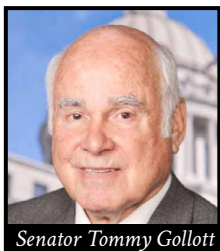
CSG VICE CHAIR ELECTED



Senator Mark Norris

The SLC Executive Committee elected Senate Majority Leader Mark Norris, Tennessee, 2010-2011 SLC chair, to serve as vice chair of The Council of State Governments. Senator Norris will become chair of CSG in 2014.

THOMAS B. MURPHY LONGEVITY OF SERVICE AWARD



Senator Tommy Gollott

A member of the SLC Energy & Environment Committee, Mississippi Senator Tommy A. Gollott has served the people of Mississippi since 1968. With 12 years of experience as a state representative and 32 years as a state senator, he brings to the Legislature unparalleled knowledge of the political history and legislative processes of his home, the Magnolia State.

CARTER/HELLARD LEGISLATIVE STAFF AWARD



David Ferguson

David Ferguson recently retired as the Director of the Arkansas Bureau of Legislative Research, which is a non-partisan service agency for the Arkansas House of Representatives and Arkansas Senate. He began his 32-year career with the Bureau in 1980 as an attorney bill drafter. He served as director for six years, supervising the extensive operations of the Bureau—both during legislative sessions and the interim—which include research, bill drafting, committee staffing, review of state agency rules, codification of laws, computer services, and providing advice on issues related to constitutional, statutory and practical issues relating to legislation. Through the Bureau, Mr. Ferguson served on various commissions and councils. Mr. Ferguson is a cattleman, member of the Arkansas Cattlemen's Association, and is the 5th generation to operate a family farm located in north central Arkansas. He is a lay minister and assists a number of congregations. Recently, he has been using his drafting and management experience by assisting several non-profit groups with organizational issues.

CENTER FOR THE ADVANCEMENT OF LEADERSHIP SKILLS (CALS) ALUMNI RECEPTION



Representative Keith Ingram, Arkansas, SLC Vice Chair, and Representative Tom Dickson, Georgia

The Southern Office of The Council of State Governments and Southern Legislative Conference have a long history of providing leadership training opportunities to state elected officials. With the implementation of term limits in five SLC-member states, and in recognition of the changing political landscape in the South, the Executive Committee of SLC approved the establishment of the Center for the Advancement of Leadership Skills to help emerging leaders from the South develop their communication, conflict resolution, consensus building and critical decision-making skills.

CALS embodies the SLC's mission of championing excellence in state government and providing non-partisan forums for state officials who might rarely cross paths to share ideas. CALS offers full scholarships for candidates from the legislative, executive and judicial branches of state government.



CONFERENCE NOTES

CONTINUING LEGAL EDUCATION

For the second consecutive year, the Southern Legislative Conference Annual Meeting gave attendees an opportunity to earn Continuing Legal Education (CLE) credit for attending informative sessions offered throughout the meeting and, specifically, at a two-hour CLE workshop. For more information regarding the annual meeting CLE accreditation, contact Reed Thodeson at rthodeson@csg.org or the SLC office by calling (404) 633-1866.

COMPARATIVE DATA REPORTS

Comparative Data Reports (CDRs) are prepared annually by select SLC states' fiscal research departments. Because CDRs track a multitude of revenue sources and appropriations levels in Southern states, they provide a useful tool to legislators and legislative staff alike as they determine their own state spending. The reports presented at the SLC Annual Meeting were:

- » Education
- » Medicaid
- » Revenue
- » Transportation
- » Adult Correctional Systems

Comparative Data Reports are prepared under the auspices of the Conference's Fiscal Affairs & Government Operations Committee. Reports for 2012 and dating back to 2000 are available through the SLC website at: www.slcatlanta.org/Publications/.

CSG INNOVATIONS AWARDS PROGRAM

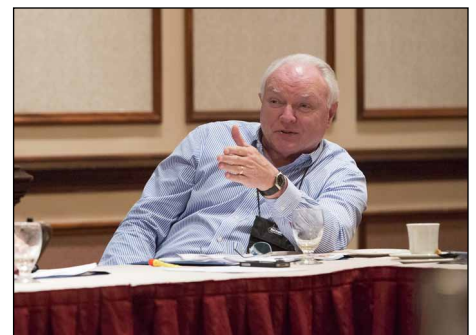
Nine panelists, comprising Southern state legislators, international affiliates, and The Council of State Governments (CSG) staff, selected two Southern finalists for the 2012 Innovations Awards Program. The first, from Georgia, *Probation Reporting Contact Center* (PRCC), provides an efficient, alternative method of contact for low-risk probationers to report compliance with court-ordered conditions of probation and allows probation officers to concentrate greater scrutiny on high-risk probationers. The second, the *Oklahoma Collaborative Mental Health Reentry Program*, addresses the reintegration needs of an increasing number of offenders with mental illnesses by implementing a planned release period complete with co-occurring substance abuse treatments, interagency collaboration and after-care peer support services. CSG began the Innovations Transfer Program in 1975 to highlight and share information about inventive and effective state programs across the United States. CSG's headquarters and SLC staff review the applications each year and determine eight finalists to make presentations at the SLC Annual Meeting. The winners of the award will be recognized nationally at the CSG National Conference in Austin, Texas, November 30 - December 3, 2012.

POLICY POSITIONS ADOPTED AT THE 65TH SLC ANNUAL MEETING

The Southern Legislative Conference adopted seven policy positions at the 66th Annual Meeting:

- » Regarding the Impact of Medicaid Fraud on Southern States
- » Regarding Sales Tax Collections and E-Commerce Transactions in Southern States
- » Regarding the Emergency Management Performance Grant Program for Southern States
- » Regarding the Panama Canal Expansion and its Impact on Southern Legislative Conference States
- » Regarding the Reauthorization of the Farm Bill
- » Urging Congressional Action on the Recommendations of the Blue Ribbon Commission regarding Used Nuclear Fuel Disposal
- » Combatting Prescription Drug Trafficking and Abuse

To view the full text of these policy positions and those of previous years, please visit www.slcatlanta.org/policy_positions/. In accordance with SLC Rule VIII, these Policy Positions of the Southern Legislative Conference shall be sunset one calendar year following adoption by the Conference.



A THANK YOU TO OUR SPONSORS

The Southern Legislative Conference extends special thanks to the following friends in the private sector for their generous assistance with the general and substantive committee programs for our 66th Annual Meeting. We are grateful for their continued support and interest in the Conference over the years.

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SPECIAL THANKS TO

Governor Earl Ray Tomblin
Wells Home Furnishing | Yeager Airport | Charleston Visitors Bureau | Toyota
West Virginia Beverage Association | West Virginia Division of Culture and History

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HOST COMMITTEE CO-CHAIRS

House Speaker Rick Thompson
Senate President Jeffrey Kessler

HOST COMMITTEE

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Senator Robert Plymale	Delegate Mike Ferro	Delegate Eric Nelson
Senator Roman Prezioso	Delegate Jim Morgan	Delegate Charlene Marshall
Senator John Unger II	Delegate Bonnie Brown	Delegate Carol Miller

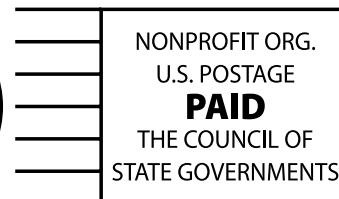
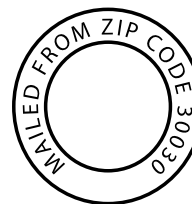
STAFF COORDINATOR

Jason Williams, Assistant to Speaker Rick Thompson

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67TH ANNUAL MEETING *of the*
SOUTHERN LEGISLATIVE CONFERENCE
MOBILE, ALABAMA
JULY 27-31, 2013



The 67th Annual Meeting of the Southern Legislative Conference returns to Mobile, Alabama, July 27-31, 2013. Make plans to join us in Alabama's Port City for another memorable gathering of policy leaders from across the region.